

SELWYN PLANTATION BOARD LIMITED

Cost of Service

1995/96		1996/97
BUDGET		BUDGET
\$		\$
(4,787,752)	Revenue	(5,697,751)
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3,163,432	Maintenance and Operating Costs	3,925,902
386,280	Financing and Interest Costs	255,322
126,070	Depreciation	120,000
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3,675,782	Total Expenditure	4,301,224
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(1,111,970)	Net Profit Before Taxation	(1,396,527)
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Net Profit Before Taxation

Projected Net Profit Before Taxation 1997/98	(\$1,200,000)
Projected Net Profit Before Taxation 1998/99	(\$1,740,000)

Capital Expenditure

The purchase of 350ha of forest land will be finalised this financial year.

Planned Service

The nature of the business is a forestry company. Its primary activity is managing plantation reserves using environmentally satisfactory and commercially sustainable methods for:

- The establishment, culture, protection, maintenance and management of trees and other plants (mainly Radiata Pine with some Douglas Fir);
- The completion of forest surveys for working plan preparation; land utilisation and soil stabilisation; and timber (volume) assessments;
- The utilisation of forest produce from the Board's plantations;
- The prevention or control of fire;
- Grazing plantation reserves either by company stock or by leasing.

To maximise returns, wider based forestry activities may be undertaken including further land purchase for forest production, the establishment of process plant for the manufacture and sale of timber and other forest products, and the provision of consultancy services.

The company manages 13,000 hectares of land of which 9,827 hectares are stocked with an assessed wood volume at 31 March 1995 of 1.68 million tonnes.

Relationship to the Council

The Selwyn Plantation Board Ltd is a local authority trading enterprise jointly owned by Selwyn District Council (61%) and the Christchurch City Council (39%). The Council exercises influence on the Board through a Statement of Corporate Intent.

The Council's interest in the company is in accordance with its Strategic Objective: D8 (see pp 19-23).

The possible sale of the Council's shareholding in the Selwyn Plantation Board is at present the subject of a public consultation process. Consideration of the submissions commenced on 2 May 1996 and a decision is anticipated within the next two months. For the purposes of this draft Annual Plan it has been assumed that the status quo will prevail.

Overall Service Objective

1. To operate a successful forest based business consistent with conservation and the provision of shelter objectives on the plains of Canterbury, involving:
 - Economically utilising the renewable resource base of the company's forests to maintain a sustainable dividend to its owners.
 - Acting as a good corporate citizen in all aspects including:
 - Innovative forest management to provide round wood of a quality suitable for both local and export consumption at a price that these markets will stand.
 - Sustained yield forest management that takes cognisance of, and makes allowances for, the vagaries of the Canterbury weather.
 - Acknowledging that plantations have a very important shelter function on the Canterbury plains.
 - Achieving a balance between the recreational use of forests and the commercial objectives of forestry.

Objectives for 1996/97

2. Continue the scheduled planting programme.
3. Produce programmed wood volume.
4. Achieve projected internal rate of return.

Performance Indicators

- 2.1 Plant 150 hectares by 31 March 1997.
- 3.1 Produce at least 65,000 tonnes of wood by 31 March 1997.
- 4.1 6% IRR on tangible assets*

* This performance target recognises the long term investment nature of plantation forestry and the fact that the company's stands will not achieve sustained normality until after the year 2000.

Sources of Funding

